

Message Text

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PAGE 01 RIO DE 00286 190749Z
ACTION EB-07

INFO OCT-01 ARA-10 EUR-12 IO-13 ISO-00 AID-05 CIAE-00
COME-00 FRB-01 INR-07 NSAE-00 USIA-15 TRSE-00 XMB-04
OPIC-06 SP-02 CIEP-02 LAB-04 SIL-01 OMB-01 NSC-05
SS-15 STR-04 CEA-01 AGRE-00 ITC-01 PA-02 PRS-01 L-03
H-02 /125 W

-----190754Z 092426 /13/75-61

P R 171941Z JAN 77

FM AMCONSUL RIO DE JANEIRO

TO SECSTATE WASH DC PRIORITY 4515

INFO AMEMBASSY ABIDJAN

AMEMBASSY BOGOTA

AMEMBASSY BRASILIA

US MISSION EC BRUSSELS 88

US MISSION GENEVA 338

AMEMBASSY GUATEMALA

AMEMBASSY LONDON

AMEMBASSY MEXICO

US MISSION OECD PARIS 368

AMEMBASSY SAN JOSE

AMEMBASSY SAN SALVADOR

AMEMBASSY TANANARIVE

AMCONSUL SAO PALO

UNCLAS RIO DE JANEIRO 0286

C O R R E C T E D C O P Y (GARBLED TEXT THROUGHOUT)

E.O. 1652: N/A

TAGS: EAGR, BR

SUBJECT: BRAZILIAN COMMENTS ON POSSIBLE ICO MEETING AND RECENT

COFFEE PRICE MOVEMENTS

REF: BRASILIA 396

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SUMMARY. ACCORDING TO PRESS REPORTS BRAZIL WILL USE
PROPOSED SPECIAL ICO MEETING AS A FORUM TO DEFEND CURRENT
INTERNATIONAL COFFEE PRICES. IN GENERAL, HEAVY WEEKEND
PRESS COVERAGE OF COFFEE SITUATION REPORTED CONSUMER
REACTIONS AND GOVERNMENT OFFICIALS' RESPONSES ALONG
PREVIOUS LINES. END SUMMARY.

1. CAMILO CALAZANS, IBC PRESIDENT, REPORTEDLY STATED THAT HE WILL DEMOSTRATE, AT THE FEB. 14 ICO MEETING BEING CALLED BY BRAZIL AND COLOMBIA, THAT THE RAW MATERIAL (I.E. THE COFFEE ITSELF) REPRESENTS ONLY 40 PERCENT OF THE PRICE PAID BY THE U.S. COFFEE CONSUMER, WHILE IN BRAZIL THE FIGURE IS 70 PERCENT. THE REMAINING COST IS ACCOUNTED FOR BY THE VALUE ADDED: ROASTING, MARKETING AND RETAILER'S PROFIT. ACCORDING TO THIS JORNAL DO BRASIL REPORT (JANUARY 15), CALAZANS CLAIMED THAT BY USING ICO STATISTICS BRAZIL CAN SHOW THAT HIGH INTERNATIONAL PRICES ARE DUE TO THE LACK OF COFFEE IN THE WORLD MARKET. THE LAW OF SUPPLY AND DEMAND IS DETERMINATING PRICES. THE JORNAL DO BRASIL ALSO REPORTED THAT THE SECRETARY OF AGRICULTURE OF THE STATE OF PARANA, SAO PAULO CARNEIRO, WILL TRAVEL TO CENTRAL AMERICA ON JANUARY 17 TO CMPFER WITH COFFEE REPRESENTATIVES TO FORMALIZE A PRELIMINARY AGENDA FOR THE ICO MEETING. BRAZIL WILL INSIST ON AN ANALYSIS OF THE COMPOSITION OF THE INTERNATIONAL PRICE OF COFFEE AT THIS MEETING.

2. COMMENTING ON THE CONSUMER BOYCOTT (O ESTADO DE SAO PAULO, JAN. 15), CALAZANS AFFIRMED THAT, IF THE BOYCOTT CONTINUES, BRAZIL WILL NOT BE AFFECTED BECAUSE IT DOES NOT HAVE MUCH COFFEE TO SELL. HE ALSO STATED THAT THE CREATION OF A CARTEL OF COFFEE PRODUCERS TO DEFEND INTERNATIONAL COFFEE PRICES NEITHER INTERESTS BRAZIL NOR IS VIABLE.

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3. BRAZILIAN PRESS CONTINUES WIDESPREAD COVERAGE OF U.S. REACTIONS. JANUARY 13 N.Y. TIMES COLUMN BY WILLIAM SAFIRE WAS EXCERPTED BY O ESTADO AND REPRINTED BY JORNAL DO BRASIL. GAZETA MERCANTIL REPORTED RECOMMENDATIONS BY NANCY STEORTS(USDA) ON MORE ECONOMICAL USE OF COFFEE OR POSSIBLE SUBSTITUTES. LEADING DAILIES ALSO CITED HILLS BROS.' ADD IN N.Y. TIMES EXPLAINING CURRENT MARKET SITUATION.

4. IN AN ANALYSIS OF RECENT COFFEE PRICES MOVEMENTS, O ESTADO DE SAO PAULO NOTED THAT, IMMEDIATELY AFTER THE PUBLICATION OF COLOMBIAN PRESIDENT'S LETTER (REFTEL) TO PRESIDENT GEISEL, COFFEE PRICES FELL SHARPLY ON THE NEW YORK AND LONDON EXCHANGES. PRICES THEN RECOVERED LATER IN THE WEEK. O ESTADO ATTRIBUTED THIS BEHAVIOR TO THE FACT THAT MICHELSSEN LETTER COINCIDED WITH THE ENCOURAGEMENT GIVEN BY SIGNIFICANT IMPORTERS TO THE BOYCOTT MOVEMENT. AS A RESULT, THERE WAS A RAPID SALE BY SOME (OF THE MANY) SPECULATORS IN THE MARKET. IF COFFEE

PRODUCERS WERE WORRIED ABOUT THE HIGH PRICE OF COFFEE, AS THE COLOMBIANS WERE, (THE SPECULATORS REASONED) THIS MEANS THERE WOULD BE A MARKET DECLINE. SEVERAL TRADERS SOLD THEIR POSITIONS AT A LOSS. TO COMPLICATE MATTERS, THE REPORT NOTES, IT WAS BEING SAID THAT THE BRAZILIAN HARVEST WOULD BE LARGE, CONTRARY TO WHAT THE RESPONSIBLE AUTHORITIES OF THE IBC SAID. THE ARTICLE CLAIMS THAT THE KEY TO COFFEE PRICE BEHAVIOR SINCE THE 1975 FROST IS THE LACK OF CONFIDENCE CONSUMERS HAD IN THE BRAZILIAN FROST REPORTS. BECAUSE OF PREVIOUS "NEWS REPORT FROSTS" (GEADAS DO NOTICIARIO), THEY DID NOT BELIEVE THE EXTENT OF THE FROST DAMAGE UNTIL SEVEN MONTHS LATER. THE REPORT COMMENTS THAT NOW BRAZIL AND, IN GENERAL, THE OTHER PRODUCERS ARE INTERESTED IN A FREE MARKET SINCE, AS IS RECOGNIZED IN LONDON, THERE IS LITTLE COFFEE AVAILABLE.

5. EMBASSY CONCURS WITH THIS MESSAGE.

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Message Attributes

Automatic Decaptoning: X
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Decaption Note:
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Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment:
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Disposition Event:
Disposition History: n/a
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